

**Division of Energy Programs**  
**Department of Community and Economic Development**  
**Program 21**

**I. PROGRAM OBJECTIVES**

- A. Division of Energy grants typically fall under two different types of legislative appropriations: (1) direct appropriations for specific communities or projects or (2) “umbrella” appropriations for specific kinds of energy project construction and management activities. The general objective of all appropriations is to fund projects that improve cost-savings, energy efficiency, safety and reliability of electric energy systems, bulk fuel storage facilities and waste heat systems throughout Alaska.

Capital grants may be used for construction projects, specific equipment purchases, or services. Some typical examples include: purchases or modifications to electric utility engine-generators, system meters, or other equipment; upgrades or safety improvements to electric transmission and distribution lines, repairs and code compliance work on electric utility bulk fuel storage facilities and installation of waste heat recovery systems. Grants may also be given for alternative energy projects (systems that produce energy from fuels other than fossil fuels).

Service grants are typically for things like routine circuit rider maintenance work on electric utility systems, technical assistance on recurring problems (i.e., high line losses, etc.), organizational support grants for bulk fuel cooperative purchases or regional electric utility development and training of electric utility staff.

- B. Other Division of Energy grants fall under the category of matching grants:
1. The Division administers the Electric Service Extension Fund under AS 42.45.200, from which Electrical Service Extension Fund grants are made to eligible electric utilities. As a first priority, these grants are made for paying the cost of site preparation and construction of electrical service to private residences and small businesses not currently served by centralized electrical service.

As a second priority, grants under this program may also be made for making improvements to existing utility functions.

Electrical Service Extension Fund grants are “matching grants,” in that both AS 42.45.200 and the administrative regulations adopted for the program specify that a grant may cover up to 60% of the site preparation and construction cost of the proposed project.

Applicants must demonstrate that they have the ability to provide a financial contribution equal to 40% of the site preparation and construction cost and 100% of the cost of planning, feasibility studies and design.

2. The Division administers the Power Cost Equalization, and the Rural Electric Capitalization Fund (AS 42.45.100) from which Utility Improvement grants (AS 42.45.180) are made to electric utilities eligible for power cost equalization. These grants are made for small power projects that will reduce the cost of generating or transmitting power to customers of the utility.

Utility Improvement grants are “matching grants” in that both AS 42.45.180 and the administrative regulations adopted for the program clearly specify that a grant may cover up to 75% of the cost of the proposed project. Projects eligible under this program include power generation, transmission, distribution, metering, energy storage and conservation systems, and bulk fuel storage facilities.

An applicant must demonstrate that they have secured financing for at least 25% of the cost of the project, from sources other than the Power Cost Equalization and Rural Electric Capitalization Fund.

## II. PROGRAM PROCEDURES

The Division of Energy administers appropriations for specifically named communities or projects, “umbrella” appropriations, Electrical Service Extension Fund appropriations and appropriations for Utility Improvements. Individual grant awards to communities/utilities under umbrella appropriations or statutory funds may be determined by how closely the recipients’ projects meet program criteria.

Alternatively, specific communities may be named as potential grant recipients under umbrella appropriations in the agency’s budget request.

Grant funds are usually managed by the Division of Energy as described below. The majority of rural energy grants fall in the first two categories:

1. The Division of Energy acts as agent of the grantee. In this case, the grant recipient does not receive funds directly. The Division of Energy is

responsible for purchasing and other grant oversight activities. The Division deposits a portion of the grant money necessary to cover the grantee's payroll, related taxes and worker's compensation insurance in a trust account managed by a bookkeeping services firm under contract to the Division. The trustee acts as disbursing agent for payroll related expenditures, and the state acts as disbursing agent for non-payroll related grant expenditures;

2. Energy grants may be managed on a cost-reimbursable basis;
3. The Division may purchase goods and services and makes vendor payments directly;
4. Energy grants made from the Electrical Service Extension Fund are funded out of the available balance of the fund at the time of application and are generally administered on a cost reimbursable basis;

Electrical Service Extension Fund program regulations have been established in the Alaska Administrative Code under Title 3, Chapter 107, Sections 500-550; and,

5. Utility Improvement energy grant projects made from the Power Cost Equalization and Rural Electric Capitalization Fund are funded from moneys in the Fund specifically allocated for these grants.

Regulations for this program have been established in the Alaska Administrative Code under Title 3, Chapter 107, Sections 300-380

### III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

#### A. TYPES OF SERVICES ALLOWED AND UNALLOWED

##### Compliance Requirements

Grant agreements specify the scope of services, project management responsibility and the method of accounting for project funds.

Review the grant agreement and determine whether it falls within the determination of the Office of Management and Budget in the memo of May 15, 1992 and March 7, 1994 regarding the applicability of the State Single Audit to certain grants administered by the Division of Energy (or formerly by the Alaska Energy Authority).

##### Suggested Audit Procedures

Identify services to be provided under the grant, responsibility for managing

the funds, and test financial and related records to determine if expenditures are proper.

- Review whether the funds have been used for the purpose defined in the particular energy grant.

#### B. ELIGIBILITY

The auditor is not expected to make tests for recipient eligibility.

#### C. MATCHING, LEVEL OF EFFORT, AND /OR EARMARKING REQUIREMENTS

##### Compliance Requirement

The grant agreement will specify any matching, level of effort, and/or earmarking requirements.

##### Suggested Audit Procedures

- Review the grant agreement to identify any matching, level of effort and/or earmarking requirements and determine whether or not the grantee has met the requirements.

#### D. REPORTING REQUIREMENTS

##### Compliance Requirements

The grant agreement will specify any reporting requirements to which the grantee must adhere.

##### Suggested Audit Procedures

- Review the grant agreement to identify any requirements for reporting by the grantee and determine whether or not the grantee submitted the required reports and assess the completeness of the submission.
- If the grantee is required to submit financial reports, trace date in selected reports to underlying documentation.

#### E. SPECIAL TESTS AND PROVISIONS

##### Compliance Requirements

The grant agreement will specify any special requirements to which the grantee is to adhere.

##### Suggested Audit Procedures

- Review the grant agreement to identify any special requirements or conditions and determine whether or not the grantee met the requirements.

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